

March 12, 1976

SENATOR SAVAGE: Senator Lewis.

SENATOR R. LEWIS: Mr. President, I would like to direct a question to Senator Murphy if I might. Senator Murphy, I noticed that this is optional with the credit unions...

SENATOR MURPHY: Yes sir.

SENATOR R. LEWIS: It is not mandated that they join?

SENATOR MURPHY: Not it is not.

SENATOR R. LEWIS: Has there been a need demonstrated for this...have there been some losses incurred?

SENATOR MURPHY: Well, I'm sure that as with any institution there have been losses but I think that the principle concern Senator Lewis is the misconception that these people have that are investing in these that there deposits are similarly insured as they are with banks and S & L's, they are not, and the Director wishes to do this. It will mean that they will have an emblem designed connotating that this credit union is insured and this sort of thing. It brings it pretty much into the operating procedures that the other financial institutions are carrying on now.

SENATOR R. LEWIS: Now, this funding will be reflected in higher costs of interest to the participant, won't it?

SENATOR MURPHY: I would say that probably in reduced rate of return to the participants that it will be a 1% contribution that will be put in over as much as a three year period if the institution wishes too. I might add that in that context that I have another amendment that I would like to add that was passed out to you on your desk indicating that should a replacement assessment be made and an institution in rather severe financial scrapes that that assessment may be deferred until such time that the Department of Banking acknowledges that they can make that contribution. In other words it will be carried for a period of time.

SENATOR R. LEWIS: Why is it that they are not presently under the same regulations as a bank?

SENATOR MURPHY: It is just something that has come along in this fashion Senator Lewis, and this was the occasion for the department bringing it to the attention of our committee. They felt that they should be and in order not to jeopardize some of the smaller ones and those who might not want that insurance deal, you might have an extremely small credit union that felt that they were completely... had complete confidence in their directors and did not want to join, so it does not mandate. You do not have too, but it will make it available to them, and I'm sure that they will....most of them participate as a matter of competitive practice.

SENATOR R. LEWIS: You are going to have two levels of rate of return then between two separate credit unions. One that